
New trends in Budgeting in educational institutions – Some observations

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Budgeting has now become a very important aspect of financial planning. No institution can survive and grow without sound financial planning. However financial planning is no one single activity. Therefore different aspects of financial planning such as budgeting, controlling and regulating needs proper attention. Budgeting in particular has become the most important

aspect of financial planning because educational institutions have very limited resources. In order to deploy these resources and enhance the quality of educational institutions, it is important that budgeting should be given the right priority. This paper deals with the various aspects of budgets and its application in educational institutions.

Keywords:

Budgeting, Educational Institutions, Non-profit Organization, Budgeting Manual, Budgeting System, Limitations of Budgeting Systems

Introduction: - Financial management is always matter of great importance of every section of society, for both individual and institution. The most vital issue is how to generate finance and how to maintain right balance. Often it so happens that in spite of right understanding of importance of finance the least managed section is finance. In many cases non availability of finance and poor utilization of funds becomes a major constraint. Institution success depends greatly on finance section. The true success of the institution is how well the funds are managed.

Business organization has always paid careful attention towards financial function. Finance department are the prime and pivotal aspects of the institution. Modern science of finance is the gift of contribution of business organization to the economic and commercial world.

However in case of charitable and nonprofit organization finance function often remain neglected. The principle object of the organization was presumed to be social service and delivery of justice and welfare

and social goods. As such finance section surplus and generation of surplus are secondary and neglected issue. Often it was presumed that generation of surplus is not activity of the charitable institution. As such they work on no profit no loss basis which in long run has damaged the potential chances of survival and success of the institution. It is also wrongly believed that occurrence of losses to nonprofit organization is a common phenomena. Institute should consider as result of their natural result of philosophy and function which in turn has resulted in establishment of least effective and less efficient system. Resource utilization, careful control over expenses and generation of revenue through innovative practices was given second status. Generation of surplus is not take place. Acquiring funds for future development was not given due recognition. This resulted in paying limited attention to establishment and appropriate system of finance, development of systematic finance function and creation of well organized finance department in charitable institution.

Establishing suitable system of finance, budgeting, planning and control are essential aspects of effective institutional management. However in educational institution and other charitable institution their system remained neglected because finance and revenue are “Not so important function” Poor budgeting system is a root cause of improper allocation of resources and funds, unwarranted expenses.

Statement of the problem

The present study is the analyses of prevailing budgeting system in educational institution. Budgeting is an important aspect of finance function. No organization whether profit or nonprofit can grow without having systematic deployment of finance. This deployment of finance depends on to a great extent on the system of budgeting. Establishing an appropriate resources allocation Budget does become a prerequisite for the success of the organization. Educational institution often has paucity of funds. There is a scarcity of resources and mismatch between receipts and payment is quite visible. Unless and until this may go for a right budget system survival and success of these institution is not possible. In this paper the author has tries to identify the issue and problem related with budgeting system and its implications on performance on educational institution.

Hence the title of the paper is - New trends in Budgeting in educational institutions – Some observations.

Objectives of the study

The principle objectives of the study are enlisted as follows

1. To understand the prevailing system of budgeting system in educational institution.
2. To examine the process, method and approaches of budgeting in educational institution.

3. To identify limitations of prevailing budget system and procedures in educational institution.
4. To suggest suitable measures to improve the system of budgeting.

Working Definitions

For the purpose of presenting the paper the following terms are defined:

Budgeting – Budgeting here means a concise well defined statement of projected receipts and payments for a specific period prepared according to pre-established norms.

Educational Institution –Educational institution means any institution that work for promotion of education, curricula or a particular educational activity with an objective of enhancement of socio-cultural and economic standards of society.

Review of available literature

Considering the nature of study, the authors have identifies some important books on budgeting and system of budget.

1. Dickey Terry has explained some the important aspects of budgeting and relevance of budgeting in the book “Basics of Budgeting”. The book explains how to build a strategic budgeting plan and appropriate plan by step by step budgeting review.
2. The Harward Business Review has come out with a treatise on “Essentials of Finance and Budgeting”. The book explains how different facets of budgeting should be incorporated while developing a master budget.
3. The book titled “Manage Budgets and Financial Plans” written by Haylee and Brian Walmsley explains some essential features of a good budget and system for development of budgeting procedures. This book also explains the prerequisites for financial planning.

4. The book by Welsch & Hilton titled "Budgeting-Profit Planning and Control" details out various issues related with profit planning, control and development of sound budgeting system. This book specifically focuses on establishing appropriate budgeting system for nonprofit organization.
5. Misra & Agarwal have written a book "Budgetary Control Techniques" in which they have explained various budget control techniques that can be effectively implemented for successful budgeting and financial planning.

Relevance of the study

The study is relevant because of various reasons. Educational institution is now gaining importance. They are increasing in size and scope. Many educational institutions have expanded their scope of activity and have entered in new academic venture, which such development of approach the structure and system of function also has to be reorganized. Growth oriented institution requires more finance and proper system of financial management. Therefore a carefully design financial function has become need of these institutions.

A good financial system consists of efficient planed budget and control of its resources. This is possible only with the help of efficient budgeting system. Therefore developing an appropriate need based budget system is a core issue before these institutions. The budget system in many of this institution is based on certain narrow presumptions and inelastic principle. This study tries to understand how the budget system can be future modifications and development. How a need based budget system can be established.

Budget system in educational institution is one of the important aspects of financial planning. Like any of the organization

educational institution also have financial crunch. Especially small young and growing educational institution always face these problems in a critical manner. These institutions often faced problems financial and fund development, limitation of avenues, capacity of fund raising and various legal restrictions. Similarly the whole approach of educational institution is also very narrow. They do not consider finance as essential resource for development on the contrary they take it as minimum requirement for maintenance. Unless and until there is a basic change in the financial policies of educational institution financial success cannot be rightly achieved.

The prevailing budgeting system in educational institution has following features.

1. Budget is considered as a useful and essential financial exercise.
2. Budgeting is equated with matching receipts with payment which a very narrow approach towards finance functions.
3. Budget is considered as annual financial exercise.
4. There is a tentative and thumb of rule system of preparing budget.
5. Most of the institutions have not laid down select cannels of budgeting.
6. Budgeting is often considering an exercise of estimation of receipts and expenditure and not essential aspect of financial structure.
7. General approach towards budgeting is either increase and decrease budget request marginally without applying clear and defined principle of financial planning.

Thus it can be seemed that the prevailing system of budgeting in most of the educational institutions is based on presumptuous approach and sans a scientific basis.

Budgeting is a part of financial planning. Good financial plan has many features and characteristics and unless and until a budget exhibits these features desired success in financial planning cannot be achieved. As such it is necessary that budgeting must observe certain characteristics like flexibility, objectivity, rationality and scientific approach.

Educational institutions unlike business organizations are yet to evolve an independent, research based and scientific designed budgeting system. Past experiences practices and examination of procedures can help in evolving an appropriate need based budgeting system for educational institution. It will be appropriate to examine the prevailing budgeting system for meeting specific requirement of educational institution. The evaluation of budgeting can be made on three parameters.

1. Procedures

2. Methods

3. Approach

1. Procedures: - The budgeting procedures in educational institution are quite conventional by nature. It is divided in following steps.

a. Preparation of receipts and payments at departmental level.

b. Making estimates of receipts and payment.

c. Identify areas where budget request is need.

d. Estimation of increase and decrease of receipts.

e. Estimation of increase and decrease of payments.

f. Identify heads where receipts and payments are increasing.

g. Justifying the increase in finalization of departmental budget

2. Method:-The method of budgeting in educational institution is characterized with certain special features. These are as follows

a. Budgeting is often considered as the exercise of estimation of receipt and payment.

b. The focus of budget is more on quantitative assessment.

c. The qualitative dimensions are purposive ness, utility, appropriateness and implications are often neglected.

d. The methods are quite stereo type and followed mechanically.

3. Approach: - the financial administrative offices of educational institutions often look at budgeting in a very conventional manner. For them budgeting is more focused on balancing the receipts and payment and avoiding any likely deficit which may cause harm to the stability. A retrospection analysis of performance not done while formulating budget. Similarly the projective analysis of receipt and payment is not connected to revenue about futuristic trends. The concept and their nature - capital and revenue is not appropriate implemented.

Limitations: - To identify limitations of prevailing budget system.

The prevailing budgeting system has certain limitations which are needed to be rightly addressed. If the institution of higher learning is interested in developing a sound finance and capital structure then they need to work on different horizon. It is essential that the finance function and other systems should more pragmatic, result oriented and purposive. At present there are various bottlenecks in the finance as well as in the budgeting system.

The budgeting system needs to be restructured in the light of revision of finance function. For this purpose one has to take into account certain limitations of budgeting system. These limitations are as follows

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- a. The present budgeting system basically emphasis on maintenance function than the development function.
- b. The budgeting system of most of institution does not work with a required scientific approach. There is strong dominance of rule and thumb which hinders appropriate development.
- c. The budgeting system is not interlinked with other finance function which hinders growth of appropriate finance system.
- d. At present the budgeting system of the institution does not have a developmental dimension, lack of proper integration and rational assessment of budget need is another hindrance.
- e. A budgeting system is not having appropriate follow up and follows up mechanism because of which many of the set objectives of the budget are not achieved.
- f. There is absence of budget manual which is work on perpetual basis
- g. The dominance of piecemeal approach is major hindrance in development of sound budgeting system.

Measures to improve budgeting system

Prevailing budgeting system in the institution can be improve if due attention is given to development of a more rational and appropriate budget system. Certain modifications in the system are essential for sound development of the budget system. It is not enough only to bring in procedural

changes but it is equally important to bring in change in the philosophical approach and policy of the budgeting system.

The important suggestions for prevailing budgeting system are as follows

- a. To restructured a budget committee and assigned a comprehensive task of establishing right philosophy of budget.
- b. To developed awareness regarding purpose of budgeting and its importance in to total budgeting set up.
- c. To improve the functioning of budget committee for preparing a comprehensive and complete budget request.
- d. To developed a monitoring and follow up mechanism which will work on perpetual basis to know the movement of receipts and payment.
- e. To developed a budget reports for information,
- f. To assess periodical performance and assess institutional targets.

Conclusion

Unless and until the prevailing budgeting system is restructured, the financial performance of institution cannot be rightly ensured. It is also important that the budget function should be given priority for effective utilization of resources and to enhance the receipts and income. Budget should not be merely activity of financial development alone. It should be over all institutional exercise. Due importance should given for development of broad based and healthy budgeting policy.

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